

**CENTRAL WEBER SEWER DISTRICT
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED DECEMBER 31, 2008**

CENTRAL WEBER SEWER DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Central Weber Sewer District

We have audited the accompanying financial statements of the business-type activities of Central Weber Sewer District, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Weber Sewer District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central Weber Sewer District, as of December 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of Central Weber Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Central Weber Sewer District

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wood Richards & Associates

Ogden, Utah
March 17, 2009

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ending December 31, 2008

Introduction

The purpose of this document is to discuss and analyze the financial performance and activities of Central Weber Sewer Improvement District for the year ended December 31, 2008.

The District provides sewer treatment service for approximately 175,000 people located in Weber and Davis Counties. The cities of Farr West, Harrisville, North Ogden, Ogden, Pleasant View, Riverdale, South Ogden, South Weber, Washington Terrace and West Haven are fully serviced by the District, along with Uintah Highlands Special Service District. Parts of Hooper, Marriott-Slaterville, Plain City, Roy and unincorporated Weber County are also serviced by the District.

The District currently has approximately 35 miles of outfall sewer lines. During 2008 the District averaged 29,600,000 gallons of water treated per day.

Overview of the Financial Statements

Central Weber Sewer Improvement District has one Proprietary Fund known as an Enterprise Fund. An Enterprise Fund may be used to report any activity for which a fee is charged to external users for goods or services. An Enterprise Fund is used to report the financial information of business-type activities provided by government.

Financial activity for the year will be presented using several required financial statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows.

Highlights

The District is in the process of constructing a new Activated Sludge Plant to parallel the existing Plant. The Plant has been in service for 50 years. The expansion is necessary to meet increased demand for sewer services resulting from current and anticipated growth. The upgrade will satisfy the discharge requirements imposed by both the State of Utah and the EPA and is required whether or not growth occurs.

The Farr West Pump Station #1 and the drying beds were put into service during 2008. Both of these projects are part of the new plant expansion and upgrade.

Financial Analysis of the District

Capital Assets

The District spent \$18,162,463.90 on Capital Projects and equipment during 2008. Of this total, \$15,077,747.48 was spent on Construction in Progress. The new Activated Sludge Plant accounted for most of the Construction in Progress spending. \$3,084,716.42 was spent on completed projects and purchased equipment. The Farr West Pump Station #1 was completed at a cost of \$1,935,120.34 during 2008. An additional \$727,488.23 was spent to complete the drying beds. Both of these projects were started in 2007. The raw pump gates were replaced and the project completed during 2008 at a cost of \$226,513.38 during the year. The old homes with a net book value of \$60,222.51 were torn down to make room for the new plant. An additional \$5,135,083.90 was transferred from Construction in Progress to completed projects. Of this amount, \$5,039,238.59 had been spent in prior years for the Farr West Pump Station and drying beds.

Annual Depreciation for the year was \$2,047,807.53.

Listed below is a summary of the Capital Assets as of December 31, 2008.

Capital Assets				
Net of Depreciation				
	2008	2007	Increase (Decrease)	% Change
Land	\$ 888,083.75	\$ 888,083.75	\$ 0.00	0.00%
Building & Structure	14,273,670.11	12,433,121.67	1,840,548.44	14.80%
Treatment Facilities	14,780,435.13	9,878,298.39	4,902,136.74	49.63%
Outfall Lines	18,366,254.13	18,859,169.07	(492,914.94)	-2.61%
Equipment	167,632.42	241,971.86	(74,339.44)	-30.72%
Vehicles	105,266.55	168,927.07	(63,660.52)	-37.69%
Construction in Progress	19,935,618.74	9,992,955.16	9,942,663.58	99.50%
Total Assets	<u>\$ 68,516,960.83</u>	<u>\$ 52,462,526.97</u>	<u>\$ 16,054,433.86</u>	<u>30.60%</u>
New Assets	\$ 18,102,241.39			
Depreciation	<u>(2,047,807.53)</u>			
Net Change	<u>\$ 16,054,433.86</u>			

Debt

At year end the District had \$59,345,868.29 of outstanding debt. This represents an increase of \$39,682,548.97 from 2007.

Outstanding Debt at Year End				
	2008	2007	Increase (Decrease)	% Change
Bond Payable - Zions Bank	\$50,000,000.00	\$10,000,000.00	\$40,000,000.00	400.00%
Bond Payable - DWQ	9,200,000.00	9,530,000.00	(330,000.00)	-3.46%
Accrued-Compensated Absences	145,868.29	133,319.32	12,548.97	9.41%
Total	<u>\$59,345,868.29</u>	<u>\$19,663,319.32</u>	<u>\$39,682,548.97</u>	<u>201.81%</u>

The District entered into an agreement with Capital One on April 1, 2008, authorizing the issuance and sale of revenue bonds in the amount of \$50,000,000.00. Proceeds from the bonds were used to retire the \$10,000,000.00 bond with the Utah Finance Agency and build the new plant.

On February 13, 2001, the Board of Trustees entered into an agreement with the Division of Water Quality, authorizing the issuance and sale of non-interest bearing, sewer revenue bonds. The amount of the issuance was \$10,180,000.00. Balance due as of December 31, 2008 is \$9,200,000.00.

Accrued-Compensated Absences represents the total obligation of the District to employees for accrued leave time as of December 31, 2008. This balance had a increase of \$12,548.97 during the year.

Net Assets

A summary of the Net Assets is listed below. The summary lists the balances for 2007 and 2008. It includes a column showing the increase or decrease between the two years.

Net Assets				
	2008	2007	Increase (Decrease)	% Change
ASSETS				
Current Assets	\$ 18,753,209.04	\$ 13,653,522.45	\$ 5,099,686.59	37.35%
Noncurrent Restricted Cash	31,744,608.74	5,687,176.35	26,057,432.39	458.18%
Other Assets	337,920.00	201,658.46	136,261.54	67.57%
Capital Assets	68,516,960.83	52,462,526.97	16,054,433.86	30.60%
Total Assets	<u>\$119,352,698.61</u>	<u>\$ 72,004,884.23</u>	<u>\$ 47,347,814.38</u>	<u>65.76%</u>
LIABILITIES				
Current Liabilities	\$ 2,654,312.11	\$ 2,702,894.18	\$ (48,582.07)	-1.80%
Noncurrent Liabilities:	59,165,868.29	19,333,319.32	39,832,548.97	206.03%
Total Liabilities	<u>61,820,180.40</u>	<u>22,036,213.50</u>	<u>39,783,966.90</u>	<u>180.54%</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	\$ 37,855,331.35	\$ 33,134,185.43	\$ 4,721,145.92	14.25%
Restricted Net Assets	1,210,014.87	457,738.21	752,276.66	164.35%
Unrestricted	18,467,171.99	16,376,747.09	2,090,424.90	12.76%
Total Net Assets	<u>\$ 57,532,518.21</u>	<u>\$ 49,968,670.73</u>	<u>\$ 7,563,847.48</u>	<u>15.14%</u>

The Statement of Net Assets (Balance Sheet) is the basic statement of position for all the District's permanent accounts, such as assets, liabilities and equity.

During 2008 total assets increased by \$47,347,814.38. Cash increased by \$30,691,567.74 because of the \$50,000,000.00 bond. Capital assets, net of depreciation, increased by \$16,054,433.86. Most of the asset increase is Construction in Progress related to the new plant.

Total liabilities increased by \$39,783,966.90. Major changes were a decrease in accounts payable of \$548,693.07, an increase to accrued interest of \$650,000.00 and an increase in the bond payable due to the \$50,000,000.00 bond.

Change in Net Assets

This report compares revenues and expenses between 2007 and 2008 calendar years. The report concludes by showing the increase or decrease in net assets.

Change in Net Assets				
	2008	2007 (Memo Only)	Increase (Decrease)	% Change
<u>Revenues</u>				
Property Taxes & Vehicle Fees	\$ 6,481,140.03	\$ 3,899,291.10	\$ 2,581,848.93	66.21%
Charges for Services	3,251,328.85	3,145,913.78	105,415.07	3.35%
Sewer Impact Fees	2,681,468.93	1,752,508.00	928,960.93	53.01%
Interest Earnings	1,296,635.23	1,035,675.69	260,959.54	25.20%
Rentals	29,821.00	34,741.08	(4,920.08)	-14.16%
Miscellaneous	11,254.07	12,747.67	(1,493.60)	-11.72%
Total Revenues	\$13,751,648.11	\$ 9,880,877.32	\$ 3,870,770.79	39.17%
<u>Expenses</u>				
Payroll & Benefits	\$ 2,337,376.98	\$ 2,225,219.35	\$ 112,157.63	5.04%
Utilities & Services	765,923.23	717,429.91	48,493.32	6.76%
Depreciation & Amortization	2,061,887.53	1,703,077.71	358,809.82	21.07%
Operation & Maintenance	867,572.81	787,992.69	79,580.12	10.10%
Pretreatment	155,040.08	170,147.95	(15,107.87)	-8.88%
Total Expenses	\$ 6,187,800.63	\$ 5,603,867.61	\$ 583,933.02	10.42%
Change in Net Assets	\$ 7,563,847.48	\$ 4,277,009.71	3,286,837.77	76.85%
Net Assets-Beginning of Year	49,968,670.73	45,691,661.02	4,277,009.71	9.36%
Net Assets-End of Year	\$57,532,518.21	\$ 49,968,670.73	\$ 7,563,847.48	15.14%

Total operating revenues increased by \$2,687,264.00 during 2008. The major increase of \$2,415,565.30 was property tax. The District raised the property tax rate to the maximum allowed of 0.000800. The rate in 2007 was 0.000519. The additional property tax revenue will be used for the plant expansion.

Non operating revenues increased by \$1,183,506.79. Sewer impact fees increased by \$928,960.93.

Interest revenue increased by \$260,959.54. Interest earnings on the new \$50,000,000.00 bond was \$786,734.00, accounting for most of the increase. Due to the economy, interest rates have dropped considerably.

Operating expenses increased by \$583,933.02. Depreciation and amortization increased by \$358,809.82. The depreciation increase was due to the fact that \$7,781,800.15 worth of assets were placed into service during 2008. Payroll and Benefits increased by \$112,157.63. One additional employee was hired during 2008. One of the District's generator engines required extensive maintenance resulting in an increase of \$50,338.44.

The change in net assets for 2008 was an increase of \$7,563,847.48.

Economic Factors and Next Year's Budget

The economy has caused a huge decrease in the number of new home starts and this trend will likely continue throughout all of 2009. This reduces revenues to the District from impact fees.

The District will continue to build an Activated Sludge Plant. The estimated cost for this project is between \$141,000,000.00 and \$161,000,000. The project should be completed in 2011. This project will provide an additional capacity of 30,000,000 gallons per day. The District will likely borrow another \$63,000,000 during 2009 to help fund this project. The District will bond for the total amount of the cost of the Activated Sludge Plant.

Request for Information

This financial report is designed to provide taxpayers, customers, creditors and management with a general overview of the District's finances and to show the District's accountability for money received. If you have any questions about the report or need additional financial information, please contact:

Central Weber Sewer Improvement District
Attention: John Cardon
2618 W. Pioneer Road
Marriott-Slaterville, UT 84404

Central Weber Sewer Improvement District
Statement of Net Assets
Proprietary Fund
Year Ended December 31, 2008

	2008	2007 (Memo Only)	Increase (Decrease)	% Change
ASSETS				
Current Assets:				
Checking - Bank of Utah	\$ 407,527.91	\$ 627,728.17	\$ (220,200.26)	-35.08%
Public Treasurers' Investment Fund	17,636,309.67	12,784,474.06	4,851,835.61	37.95%
Petty Cash	200.00	200.00	-	0.00%
Owner's Escrow - House Rental	250.00	250.00	-	0.00%
Flex - Advanced Funding	2,500.00		2,500.00	
Accounts Receivable	696,357.21	231,409.02	464,948.19	200.92%
Prepaid Expenses	10,064.25	9,461.20	603.05	6.37%
Total Current Assets	\$ 18,753,209.04	\$ 13,653,522.45	\$ 5,099,686.59	37.35%
Noncurrent Assets:				
Bond Issuance Cost	\$ 337,920.00	\$ 201,658.46	\$ 136,261.54	67.57%
Restricted Cash-Construction	30,534,593.87	5,229,438.14	25,305,155.73	483.90%
Restricted Cash-Water Reuse	78,504.87	75,988.21	2,516.66	3.31%
Restricted Cash-Bond Reserves	1,131,510.00	381,750.00	749,760.00	196.40%
Capital Assets				
Land	888,083.75	888,083.75	-	0.00%
Construction in Progress	19,935,618.74	9,992,915.16	9,942,703.58	99.50%
Net Depreciable Assets	47,693,258.34	41,581,528.06	6,111,730.28	14.70%
Total Noncurrent Assets	\$ 100,599,489.57	\$ 58,351,361.78	\$ 42,248,127.79	72.40%
Total Assets	\$ 119,352,698.61	\$ 72,004,884.23	\$ 47,347,814.38	65.76%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Net Assets
Proprietary Fund
Year Ended December 31, 2008

LIABILITIES

Current Liabilities:

Accounts Payable - General	\$ 1,757,393.42	\$ 2,306,086.49	\$ (548,693.07)	-23.79%
Accrued Interest	650,000.00	-	650,000.00	
Employee Committee	363.93	252.93	111.00	43.89%
Deferred Revenue	66,554.76	66,554.76	-	0.00%
Current Portion Long Term Debt	180,000.00	330,000.00	(150,000.00)	-45.45%
Total Current Liabilities	<u>\$ 2,654,312.11</u>	<u>\$ 2,702,894.18</u>	<u>\$ (48,582.07)</u>	<u>-1.80%</u>

Noncurrent Liabilities:

Accrued - Compensated Absences	\$ 145,868.29	\$ 133,319.32	\$ 12,548.97	9.41%
Bonds Payable - Zions	50,000,000.00	10,000,000.00	40,000,000.00	400.00%
Bonds Payable - DWQ	9,020,000.00	9,200,000.00	(180,000.00)	-1.96%
Total Noncurrent Liabilities	<u>\$ 59,165,868.29</u>	<u>\$ 19,333,319.32</u>	<u>\$ 39,832,548.97</u>	<u>206.03%</u>

Total Liabilities	<u>\$ 61,820,180.40</u>	<u>\$ 22,036,213.50</u>	<u>\$ 39,783,966.90</u>	<u>180.54%</u>
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NET ASSETS

Invested in Capital Assets,

Net of Related Debt	\$ 37,855,331.35	\$ 33,134,185.43	\$ 4,721,145.92	14.25%
Restricted for Water Reuse	78,504.87	75,988.21	2,516.66	3.31%
Restricted for Bond Reserves	1,131,510.00	381,750.00	749,760.00	196.40%
Unrestricted	18,467,171.99	16,376,747.09	2,090,424.90	12.76%
Total Net Assets	<u>\$ 57,532,518.21</u>	<u>\$ 49,968,670.73</u>	<u>\$ 7,563,847.48</u>	<u>15.14%</u>

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended December 31, 2008

	2008	2007 (Memo Only)	Increase (Decrease)	% Change
<u>Revenues</u>				
Property Taxes	\$ 5,742,422.01	\$ 3,326,856.71	\$ 2,415,565.30	72.61%
Redemptions	112,856.42	154,819.99	(41,963.57)	-27.10%
Fee in Lieu - Vehicles	625,861.60	417,614.40	208,247.20	49.87%
Treatment Fees - Cities	2,596,000.00	2,547,552.00	48,448.00	1.90%
Treatment Fees - District	185,321.00	116,027.00	69,294.00	59.72%
Treatment Fees - Bona Vista	68,306.88	70,920.43	(2,613.55)	-3.69%
Treatment Fees-Septic Hauler	68,458.47	84,625.40	(16,166.93)	-19.10%
Treatment Fees - Surcharges	140,719.00	111,527.00	29,192.00	26.17%
Lagoon Management	37,743.50	24,827.95	12,915.55	52.02%
Pretreatment Fees - Cities	118,000.00	140,849.00	(22,849.00)	-16.22%
Pretreatment Fees - Inspection	36,780.00	49,585.00	(12,805.00)	-25.82%
Total Operating Revenues	\$ 9,732,468.88	\$ 7,045,204.88	\$ 2,687,264.00	38.14%
<u>Expenses</u>				
Payroll & Benefits	\$ 2,337,376.98	\$ 2,225,219.35	\$ 112,157.63	5.04%
Utilities & Services	765,923.23	717,429.91	48,493.32	6.76%
Depreciation & Amortization	2,061,887.53	1,703,077.71	358,809.82	21.07%
Operation & Maintenance	867,572.81	787,992.69	79,580.12	10.10%
Pretreatment	155,040.08	170,147.95	(15,107.87)	-8.88%
Total Operating Expenses	\$ 6,187,800.63	\$ 5,603,867.61	\$ 583,933.02	10.42%
Net Operating Income	\$ 3,544,668.25	\$ 1,441,337.27	\$ 2,103,330.98	145.93%
<u>Non-Operating Revenue</u>				
Sewer Impact Fees	\$ 2,681,468.93	\$ 1,752,508.00	\$ 928,960.93	53.01%
Interest Revenue	509,901.23	1,035,675.69	(525,774.46)	-50.77%
Bond Interest	786,734.00		786,734.00	
House Rental	26,311.00	31,231.08	(4,920.08)	-15.75%
Property Rental	3,510.00	3,510.00	-	0.00%
Miscellaneous	11,254.07	12,747.67	(1,493.60)	-11.72%
Total Non-Operating Revenue	\$ 4,019,179.23	\$ 2,835,672.44	\$ 1,183,506.79	41.74%
Change in Net Assets	\$ 7,563,847.48	\$ 4,277,009.71	\$ 3,286,837.77	76.85%
Net Assets-Beginning of Year	49,968,670.73	45,691,661.02	4,277,009.71	9.36%
Net Assets-End of Year	\$ 57,532,518.21	\$ 49,968,670.73	\$ 7,563,847.48	15.14%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2008

	2008	2007 (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from intergovernmental revenue - property taxes	\$ 5,992,278.85	\$ 3,883,509.87
Receipts from customers and users	3,275,241.84	3,152,971.49
Payments to employees	(2,324,717.01)	(2,376,430.24)
Payments to suppliers	(1,826,928.12)	(1,533,375.30)
Net cash provided (used) by operating activities	\$ 5,115,875.56	\$ 3,126,675.82
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Other non-operating income	\$ 11,254.07	\$ 12,747.67
2007 Bonds (Zions Bank)	50,000,000.00	10,000,000.00
Impact fees	2,681,468.93	1,752,508.00
Purchases of capital assets	(6,218.83)	(112,150.00)
Acquisition and construction of capital assets	(17,755,268.22)	(8,330,087.84)
Bond Issuance Cost	(352,000.00)	(210,060.90)
Principal paid on capital debt	(10,330,000.00)	-
Net cash provided (used) by capital and related financing activities	\$ 24,249,235.95	\$ 3,112,956.93
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental Income	\$ 29,821.00	\$ 34,741.08
Interest and dividends	1,296,635.23	1,035,675.69
Net cash provided (used) by investing activities	\$ 1,326,456.23	\$ 1,070,416.77
Net increase (decrease) in cash and cash equivalents	\$ 30,691,567.74	\$ 7,310,049.52
Balances - Beginning of the year	19,099,828.58	18,457,841.03
Balances - End of the year	\$ 49,791,396.32	\$ 25,767,890.55
 Cash, including time deposits	 \$ 18,428,537.58	 \$ 13,412,652.23
Restricted cash, including time deposits	31,362,858.74	5,687,176.35
Total cash and cash equivalents, end of year	\$ 49,791,396.32	\$ 19,099,828.58

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2008

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED

(USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ 3,544,668.25	\$ 1,441,337.27
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation & Amortization expense	2,061,887.53	1,703,077.71
Bad Debt expense		(11,865.77)
(Increase) decrease in prepaid expenses	(603.05)	256.80
(Increase) decrease in accounts receivable	23,912.99	7,057.71
(Increase) decrease in intergovernmental receivables	(488,861.18)	(15,781.23)
Increase (decrease) in capital accounts payable	510,904.12	(1,355,325.72)
Increase (decrease) in accounts payable	(548,693.07)	1,360,829.56
Increase (decrease) in compensated absences payable	12,548.97	(2,934.75)
Increase (decrease) in employee committee payable	111.00	24.24
Total Adjustments	1,571,207.31	1,685,338.55
Net cash provided by operating activities	\$ 5,115,875.56	\$ 3,126,675.82

The notes to the financial statements are an integral part of this statement.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Central Weber Sewer Improvement District conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The district has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Central Weber Sewer Improvement District is a special district organized for the purpose of providing sewage treatment services to cities in Weber and Davis Counties. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) were used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry – to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

B. Fund Financial Statements

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

Sewer Fund – The sewer fund is used to account for operations of the sewer system, that are (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses, and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balance/Net Assets

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurers' Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and restricted cash with the Utah Public Treasurers' Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balance/Net Assets (Continued)

Inventories

No significant inventories are maintained by the District; therefore, none are reflected in these statements.

Bond Issue Costs

Those issuance costs are amortized using the straight-line method in the statement of net assets for the term of the bonds from which the costs were incurred.

Restricted Assets

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the Statement of Net Assets because their use is limited.

Capital Assets

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-15 years
Improvements	10-50 years	Infrastructure	25-40 years

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the financial statements. The District's net assets are classified as follows:

Invested in capital assets, net of related debt – This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balance/Net Assets (Continued)

Net Assets/Fund Balances (Continued)

Restricted for impact fees – This component of net assets consists of unexpended impact fees required to be used as designated in the capital facilities plan.

Restricted for bond reserves – This component of net assets consists of various reserves required by the bond purchaser and trustee.

Restricted for water reuse – This component of net assets consists of unexpended funds from grants received in prior years.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

E. Revenues and Expenditures

The following are the District’s significant policies related to recognition and reporting of certain revenues and expenditures.

Revenue Availability

Statement of Governmental Accounting Standards (SGAS) No. 33, Accounting and Financial Reporting for Non-exchange Transactions, defined a non-exchange transaction as one in which “a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.” For property taxes, at January 1 of each year (the assessment date), the District has the legal right to collect the taxes, and in accordance with the provision of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2008.

Expenditure Recognition

When an expenditure is incurred for the purpose for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

F. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

District policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the proprietary financial statements.

H. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operation. The columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis.

I. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Receivables

Receivables include amounts due from customers primarily for services. These receivables are due within one month of billing. An allowance for doubtful accounts of \$16,967 has been recorded. When an amount is deemed to be uncollectible, the receivable will be written off at that time.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are carried at cost.

At December 31, 2008, the carrying amount of the District's deposits was \$407,528 and the bank balance was \$519,239. Of the bank balance, \$250,000 was covered by federal depository insurance.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurers' Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurers' Investment Fund	\$ 18,018,060	\$ 17,855,537
Utah Public Treasurers' Investment Fund - Water reuse	78,505	77,797
Utah Public Treasurers' Investment Fund - Zions	31,284,354	31,002,169
	<u>\$ 49,380,919</u>	<u>\$ 48,935,503</u>

C. Summary

	Carrying Amount
Deposits	\$ 407,528
Investment in Utah Public Treasurers' Investment Fund	49,380,919
Total deposits and investments	<u>\$ 49,788,447</u>
Checking - Bank of Utah	\$ 407,528
Unrestricted - Public Treasurers' Investment Fund	17,636,310
Restricted cash - construction	30,534,594
Restricted cash - bond reserves	1,131,510
Restricted cash - water reuse	78,505
Total deposits and investments	<u>\$ 49,788,447</u>

Deposit and Investment Risk Disclosure. Deposits and investments for Central Weber Sewer Improvement District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2008, were \$519,239, of which \$250,000 was insured under federal depository insurance.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurers' Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended December 31, 2008, the local government had investments of \$49,380,919 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

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**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008, was as follows:

	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008
BUSINESS-TYPE ACTIVITIES				
Nondepreciable Assets				
Land	\$ 888,084	\$ -	\$ -	\$ 888,084
Construction in progress	9,992,955	15,077,748	(5,135,084)	19,935,619
Total nondepreciable assets	10,881,039	-	-	20,823,703
Depreciable Assets				
Buildings and structures	16,379,706	2,336,169	(141,827)	18,574,048
Treatment facilities	21,773,476	5,877,413	(296,173)	27,354,716
Outfall lines	25,316,800	-	-	25,316,800
Equipment	900,714	6,219	-	906,933
Vehicles	942,412	-	-	942,412
Total depreciable assets	65,313,108	8,219,801	(438,000)	73,094,909
Less Accumulated Depreciation				
Buildings and structures	(3,946,584)	(435,398)	81,604	(4,300,378)
Treatment facilities	(11,895,178)	(975,276)	296,174	(12,574,280)
Outfall lines	(6,457,631)	(492,915)	-	(6,950,546)
Equipment	(658,743)	(80,558)	-	(739,301)
Vehicles	(773,485)	(63,661)	-	(837,146)
Total accumulated depreciation	(23,731,621)	(2,047,808)	377,778	(25,401,651)
Net depreciable assets	41,581,487	6,171,993	(60,222)	47,693,258
Business-type activities - net	<u>\$52,462,526</u>	<u>\$ 6,171,993</u>	<u>\$ (60,222)</u>	<u>\$68,516,961</u>

Depreciation Expense:

December 31, 2008 \$ 2,047,808

NOTE 4 – LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2008, was as follows:

Description	Outstanding 12/31/2007	Additions	Payments	Outstanding 12/31/2008	Current Portion
Series 2000 \$10,180,000					
Taxable sewer revenue bonds	\$ 9,530,000	\$ -	\$ (330,000)	\$ 9,200,000	\$ 180,000
Series A-17 \$10,000,000					
Taxable sewer revenue bonds	10,000,000	-	(10,000,000)	-	-
Series 2008-A \$50,000,000					
Taxable sewer revenue bonds	-	50,000,000	-	50,000,000	-
Compensated absences	133,319	12,549	-	145,868	-
	<u>\$19,663,319</u>	<u>\$50,012,549</u>	<u>\$(10,330,000)</u>	<u>\$59,345,868</u>	<u>\$ 180,000</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 – LONG-TERM DEBT (CONTINUED)

Bond Resolution

Series 2000 Sewer Revenue Bonds – On February 13, 2001, the District Trustees by resolution 2000-1, entered into an agreement authorizing the issuance and confirming the sale of non-interest-bearing, taxable sewer revenue bonds, Series 2000, of Central Weber Sewer Improvement District, Weber County, Utah, in an amount not to exceed \$10,180,000. The purpose of the bond issue is defraying a portion of the cost of constructing sewage collection and treatment facilities and related improvements. As of December 31, 2008, \$10,180,000 has been issued and \$9,200,000 is outstanding. The annual requirement to amortize this debt is as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Total</u>
2009	\$ 180,000	\$ 180,000
2010	190,000	190,000
2011	200,000	200,000
2012	210,000	210,000
2013	220,000	220,000
2014-2018	1,100,000	1,100,000
2019-2023	1,100,000	1,100,000
2024-2028	1,100,000	1,100,000
2029-2033	1,100,000	1,100,000
2034-2038	1,100,000	1,100,000
2039-2040	2,700,000	2,700,000
	<u>\$9,200,000</u>	<u>\$9,200,000</u>

Series A-17 Sewer Revenue Bonds – In 2007, the District Trustees entered into an agreement authorizing the issuance and confirming the sale of interest-bearing sewer revenue bonds, Series A-17, of Central Weber Sewer Improvement District, Weber County, Utah, in an amount not to exceed \$10,000,000. The bonds were paid off in 2008 with the proceeds of the Series 2008-A bonds.

Series 2008 A Bonds – On April 8, 2008, the District Trustees entered into an agreement authorizing the issuance and confirming the sale of interest-bearing sewer revenue bonds in an amount not to exceed \$50,000,000. The purpose of the bond issue was to pay off the Series A-17 Bonds and to defray a portion of the cost of plant expansion, treatment facilities, and related improvements. As of December 31, 2008, \$50,000,000 had been issued and \$50,000,000 is outstanding. The bonds have a variable interest rate which is set at 3.90% fixed for the initial 3-year period. After the initial 3-year period, the interest rate will reset every three years to a rate based on current market trends, not to exceed 6.50%.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 – LONG-TERM DEBT (CONTINUED)

Series 2008 A Bonds - The estimated annual requirement to amortize this debt is as follows:

December 31,	Principal	Interest	Total
2009	\$ -	\$ 1,950,000	\$ 1,950,000
2010	-	1,950,000	1,950,000
2011	-	2,287,500	2,287,500
2012	1,240,000	2,592,450	3,832,450
2013	1,305,000	2,525,644	3,830,644
2014-2018	7,665,000	11,493,431	19,158,431
2019-2023	9,970,000	9,191,438	19,161,438
2024-2028	12,960,000	6,197,888	19,157,888
2029-2033	16,860,000	2,306,063	19,166,063
Total	<u>\$ 50,000,000</u>	<u>\$ 40,494,414</u>	<u>\$90,494,414</u>

In 2008, \$1,794,865 in interest was capitalized and \$0 was charged to expense.

Compensated Absences – This amount represents the accumulated unpaid vacation and compensatory time which would be paid if employees had terminated employment at December 31, 2008. The balance in this account at December 31, 2008 was \$145,868.

NOTE 5 – BOND RESOLUTION COMPLIANCE

Series 2000 Sewer Revenue Bonds

The Series 2000 Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve one-twelfth (1/2) of the annual principal payment due on the sewer revenue bond. This Bond Account will then be used to make the annual payment. As the annual bond payment is made in December, the balance in this account at December 31, 2008 was \$0.
- 2) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve \$3,535 until such time as the aggregate reserve equals \$254,500. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2008 was \$254,500.
- 3) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve \$1,767 until such time as the aggregate reserve equals \$127,250. This Emergency Repair and Replacement Account shall be used to make such emergency repairs of, or replacements to, the system to ensure its continued operation. The balance in this account at December 31, 2008 was \$127,250.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 – BOND RESOLUTION COMPLIANCE (CONTINUED)

Series 2008 A Sewer Revenue Bonds

The Series 2008 A Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) Beginning April 8, 2008, and on or before the 5th day of each subsequent month, the District is required to reserve one-sixth (1/6) of the semi-annual debt service due on the sewer revenue bond. This Bond Account will then be used to make the payment. As the bond payment is due on March 1st, the balance in this account at December 31, 2008 was \$650,000.
- 2) Beginning April 8, 2008, and on or before the 15th day of each subsequent month, the District is required to reserve \$8,045 until such time as the aggregate reserve equals \$579,240. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2008 was \$64,360.
- 3) Beginning April 8, 2008, and on or before the 15th day of each subsequent month, the District is required to reserve \$4,425 until such time as the aggregate reserve equals \$318,600. This Renewal and Replacement Reserve shall be used to make such emergency repairs of, or replacements to, the system to ensure its continued operation. The balance in this account at December 31, 2008 was \$35,400.

The Series 2008 A Sewer Revenue Bonds also have a rate covenant requirement. This requires the District to have revenues, excluding impact fees, in excess of 115% of the Aggregate Debt Service and repayment obligations, if any, and 100% of the amounts required to be deposited by the District into the Debt Service Reserve (accrued debt service) for the forthcoming fiscal year. The District met this requirement for the fiscal year ended December 31, 2008.

NOTE 6 – RETIREMENT BENEFITS

Plan Description

The Central Weber Sewer Improvement District (District) contributes to the Local Governmental Contributory Retirement System (Contributory system) and Local Governmental Noncontributory Retirement System (Noncontributory system), all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 – RETIREMENT BENEFITS (CONTINUED)

The Systems issued a publicly available financial report that includes basic financial statements and required supplementary information for the Local Governmental Noncontributory System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or calling 1-800-365-8772.

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. For the period January 2008 – December 2008 this was 6.00% of their annual covered salary that was paid to the Contributory System. The Central Weber Sewer Improvement District is required to contribute a percent of covered salary to the respective systems. For the period January 2008 – December 2008 this was 7.610% to the Contributory and 11.620% to the Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the Contributory Retirement Systems for December 31, 2008, 2007, and 2006, were \$5,409, \$5,355, and \$4,850, respectively. The District's contributions to the Noncontributory Retirement System for December 31, 2008, 2007, and 2006 were \$151,944, \$147,070, and \$143,160, respectively. The District's contributions to the 401(K) plan for December 2008, 2007, and 2006, were \$75,232, \$72,223, and \$70,248, respectively. The contributions were equal to the required contributions for each year.

NOTE 7 – RISK MANAGEMENT

Central Weber Sewer Improvement District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonable foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonestly), treasurer, public officials, excess liability, and workman's compensation. As of December 31, 2008, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 7 – RISK MANAGEMENT (CONTINUED)

A list of insurance policies in force at December 31, 2008 is as follows:

Coverage	Policy Limits	Insurer	Expiration Date
Blanket buildings and contents	73,000,000	Affiliated FM	1/15/2010
Forgery	25,000	St. Paul	1/15/2010
Employee Dishonesty	250,000	St. Paul	1/15/2010
Money & Securities	25,000	St. Paul	1/15/2010
Liability	2,000,000	St. Paul	1/15/2010
Public Officials Bonds	500,000	C N A	1/15/2010
Public Entity Employer	1,000,000	St. Paul	1/15/2010
Boiler & Machinery	73,000,000	Affiliated FM	1/15/2010

NOTE 8 – LEGAL COMPLIANCE BUDGETS

The budget for the fiscal year ending December 31, 2008, was approved and adopted by resolution or ordinance dated December 17, 2007. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 17, 2007. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

NOTE 9 – PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing districts notify the county of date, time and place of public hearing	Mar. 1
County auditor sends valuation certified tax rate and levy worksheets to each taxing district	June 8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit it to the county auditor	Before June 22
Taxing district adopts a final tax rate if there is no increase in the certified tax rate	June 22
Due date for property taxes	Nov. 30
Taxing district adopts the final budget prior to beginning of the ensuing year	
Copy of the budget is submitted to the state auditor within 30 days of its adoption	

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10 – CONTINGENCIES

The Sewer District discharges treated sewage effluent according to a discharge permit issued by the Utah Division of Water Quality. The Division of Water Quality has issued notices of violations to the District for high levels of mercury in the treated sewage. The District plans to fund a study with respect to the mercury levels. The results of the study will play a major role in determining the amount of penalties that will be assessed by the Utah Division of Water Quality. The penalties have not been recorded on the financial statements, as an amount cannot be reasonably estimated at this time.

NOTE 11 – COMMITMENTS

Construction – The District has entered into agreements for construction as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Plant Expansion	\$ 35,069,460	\$ 12,296,951	\$ 22,772,509
Weber River outfall	9,747,980	106,500	9,641,480
	<u>\$ 44,817,440</u>	<u>\$ 12,403,451</u>	<u>\$ 32,413,989</u>

SUPPLEMENTARY INFORMATION

Central Weber Sewer District

Schedule of Impact Fees

For the Year Ended December 31, 2008

The District's impact fee reserve at December 31, 2008 was \$0. Funds were collected from throughout the District's service area and are collected for the plant expansion project which will cost well over \$100,000,000.

Projected impact fee expenditures are also for the plant expansion. These costs will be incurred in 2009 and 2010.

Impact Fee Reserves December 31, 2007	\$ -
Activity During 2008:	
Impact fees collected	2,681,469
Plant design, drying beds, pump station, etc	<u>(2,681,469)</u>
Impact Fee Reserves December 31, 2008	<u><u>\$ -</u></u>

AUDITORS' REPORTS

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
Central Weber Sewer District

We have audited the accompanying financial statements of the business-type activities of Central Weber Sewer District, for the year ended December 31, 2008 and have issued our report thereon dated March 17, 2009. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation & Property Tax Limitations
Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Compliance Issues
Impact Fees	General Compliance Special Districts

The District did not receive any major or non-major State grants during the year ended December 31, 2008.

The management of Central Weber Sewer District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, Central Weber Sewer District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

Wood Richards & Associates

March 17, 2009

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Central Weber Sewer District

We have audited the financial statements of the business-type activities of Central Weber Sewer District as of and for the year ended December 31, 2008, which collectively comprise Central Weber Sewer District's financial statements and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Weber Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Weber Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Weber Sewer District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central Weber Sewer District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Central Weber Sewer District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Central Weber Sewer District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Weber Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
March 17, 2009